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C O N F I D E N T I A L CASABLANCA 000637

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STATE FOR NEA/MAG AND NEA/PI

E.O. 12958: DECL: 06/05/2016
TAGS: [ECON](#) [EFIN](#) [EIND](#) [ELAB](#) [ENIV](#) [ETRD](#) [MO](#) [PGOV](#)
SUBJECT: THE PALACE AND MOROCCO'S BUSINESS ASSOCIATION:
FREE ELECTIONS, BUT....

REF: CASABLANCA 00142

Classified By: Principal Officer Douglas Greene
for reasons 1.4 (b) and (d)

¶1. (C) Summary: In demonstration of the palace's reach in business affairs, Morocco's oldest and largest professional business association will soon inaugurate a new president after an ostensibly free election. Since only one candidate, Moulay Hafid Elalamy, registered in time to run he is assured the presidency of the Confederation General des Entreprises du Maroc (CGEM) when the formal election takes place as scheduled later this month. Elalamy is well known in Casablanca business circles for his close connections to the royal palace, as well as his role in the "Agma Affair", a questionable financial deal in the late 90's that earned him a small fortune, but also resulted in his temporary "exile" to Canada before returning to Morocco this past year. Business contacts question his ability to advocate effectively for the business community, especially for the interests of small and medium-sized enterprises. End Summary.

¶2. (C) After months of speculation and anticipation, many Casablanca-based business contacts reacted with dismay to the news that Elalamy would become the next president of CGEM by default. Business contacts tell us the absence of a "true election" is unfortunate, coming at a time when debate is sorely needed on how best to improve Morocco's burgeoning business and investment climate. Elalamy was widely seen among Casablanca business professionals as the palace choice for the CGEM presidency, thus discouraging other candidates from throwing their hats into the ring. As one contact explained, "At best you might be a sacrificial lamb, at worst you might actually win and have all your companies audited by the government." (Many business contacts believe that the continuing audits of current CGEM president Hassan Chami's various companies are in direct retaliation for upsetting the Palace -- reftel.)

¶3. (C) Elalamy himself is a controversial figure in the business community. Rumors persist among business contacts that Elalamy made much of his fortune in 1999 through insider dealing facilitated by his palace connections. The specific deal is referred to as the "Agma Affair", after the insurance company he profited from through a widely questioned stock-exchange transaction. Elalamy subsequently spent several years living in Canada in "voluntary exile" before recently reemerging on the Casablanca business scene. As one prominent banking contact confided, "The fact that he disappeared for a while after Agma and then can come back and be president (of CGEM) makes me question if I should stay in this country."

14. (C) Elalamy's star began to rise when he was recruited to work at Omnium Norde Africain (ONA), the royally controlled conglomerate. During his tenure at ONA, Elalamy grew increasingly close to Fouad Filali, son of former Moroccan Foreign Affairs Minister Abdellatif Filali and husband of Princess Lalla Mereyem, daughter of former King Hassan II and sister of King Mohammed VI. Elalamy rose in ONA to Secretary General, before parting ways and dabbling in the insurance industry, leading to his profitable transaction with Agma Insurance. Elalamy's current holding company "Saham", (allegedly financed by his profits from the Agma Affair), invests primarily in retail businesses (Bigdil, Best Mountain, and Sergeant Major) and the information technology sector (Cap'Info and Orsys). Just this month however, Saham purchased 67% interest in CNIA, a Moroccan insurance company, from the Bahraini Arab Insurance Group (ARIG). This purchase heightens Elalamy's profile on the business scene and returns him to the sector of his earlier fortune. Nonetheless, one business contact insisted to Econoff that Elalamy's investment in CNIA and role as Chairman is only as proxy; CNIA affairs will actually be run by the King's brother, Moulay Rachid. If true, it suggests that Elalamy's intricate ties to the Palace have not withered much during his Canadian sojourn.

15. (C) COMMENT: Elalamy's ascendancy to the presidency of CGEM reinforces for many the image of a Moroccan business climate closely monitored and managed by the Royal Palace. The result also suggests the continued power and influence of the "the Makzhen", referring to the domination of the political and economic spheres by an elite few connected to the Palace. That said, if business leaders demur when the palace favorite runs, they share in the blame. Conspiracy theorist fears of audits and other tactics are completely unverifiable. In any event, the results of the election

disappoint reform-oriented Casablanca-based business professionals who want to see CGEM take a more aggressive role in advocating for the interests of Small and Medium-Sized Enterprises (SMEs). SMEs make up more than 90% of Moroccan enterprises and represent between 60 and 70% of the labor force.

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